

Process for Obtaining Local Funds under HB 473 (Bridge and Road Safety and Accountability Act)

HB 473 (Rep. Frank Garner), passed by the 65th Legislature and signed by Governor Bullock on May 3, 2017, provides for a graduated increase in the motor fuel tax by fiscal year 2023 (6 cents in gasoline/2 cents in diesel). Each fiscal year, 35% or \$9.8 million of the proceeds (whichever is greater) is allocated to the Montana Department of Transportation (MDT) and the remainder (approximately \$21 million by FY2021) is allocated to local governments through a new a Bridge and Road Safety and Accountability Program (BaRSAA). This guidance document provides a roadmap of the process local governments will follow to obtain these new BaRSAA funds.

Allocation of Revenues Collected

The allocation of the motor fuel tax revenues refers to the MDT calculation of and notification to local governments of the amounts available for each entity on an annual basis. Under HB 473, MDT will begin to assess the new tax on July 1, 2017. Fuel that is distributed in a month is reported to MDT on the 25th of the following month, and the tax on that fuel is then collected 5 days later. Therefore, the first allocation of funds by MDT on March 1, 2018 will consist of the additional motor fuel tax revenues collected for July-October, 2017 ("FY2018 BaRSAA funds"). Every year thereafter, the allocation will consist of a full 12 months of collections.

MDT will allocate the collected funds to cities, towns, counties, and consolidated city-county governments using the same ratios used to distribute existing motor fuel tax revenues to local governments through the highway restricted account as set forth in Section 15-70-101(2)(b), (2)(c), and (3), MCA. The new funds will be held in a separate BaRSAA account until distributed.

Distribution of BaRSAA Allocation

The distribution of BaRSAA funds refers to the actual disbursement of allocated or reserved BaRSAA funds from MDT to local governments. Beginning March 1, 2018, local governments may *request distribution* of their allocation from MDT. Local governments must match all distributions from the BaRSAA account with a minimum 5% funding match. MDT is using the WebGrants online application system to accept requests for distribution of BaRSAA allocations by local governments. This system will allow for electronic entry of the information necessary for the distribution of funds to local governments.

A request for the distribution of funds must include:

- (a) the amount of funding sought (up to but not exceeding the amount allocated for that year and any prior years' reservations);
- (b) copy of an adopted resolution to request and accept the funding by the governing body, identifying the source of the matching funds for the distribution; and
- (c) a description of the project or projects to be funded.

BaRSAA funds can be used:

- (a) to pay for the construction, reconstruction, maintenance, and repair of rural roads, city or town streets and alleys, bridges, or roads and streets that the city, town, county, or consolidated city-county government has the responsibility to maintain; or
- (b) as the match for federal funds used for the construction of roads and streets that are part of the national, primary, secondary, or urban highway systems, or roads and streets that the city, town, county, or consolidated city-county government has the responsibility to maintain. For MDT-administered projects, the local government may request that MDT credit its BaRSAA allocation towards its local match for a federally funded project administered by MDT.

BaRSAA funds can be used to pay project costs incurred during the same fiscal year in which they are distributed. BaRSAA funds cannot be used to purchase capital equipment.

Matching local government funds can be obtained from any source except the regular gas tax allocation in 15-70-101, MCA. Potential matching fund sources include local funds shown as a budgeted expense, including general

funds; special district assessments; or state or federal funds, grants, or loans. Requests for distribution of FY2018 BaRSAA funds must be made between March 1 and November 1, 2018 (every March 1 to November 1 thereafter for the annual BaRSAA allocation).

Obligation or Saving of BaRSAA Funds

The obligation of funds by a local government occurs when the funds are committed to a project, either through a contract or inclusion as an authorized project expenditure in the adopted annual budget. Once the local government obtains its distribution of FY2018 BaRSAA funds, it may either obligate the funds or place the funds and the corresponding matching funds in a restricted asset account within the motor fuel tax apportionment to be carried forward until the funds are obligated.

Local governments must *obligate the FY2018 BaRSAA funds* by March 1, 2023 (every March 1 thereafter, 5 years after each annual allocation is made). The intent of the law is that local governments will use BaRSAA funds in a timely manner to demonstrate improvements to road infrastructure occurring as a result of the passage of HB473.

Local governments must follow applicable competitive bidding requirements when entering into contracts that exceed the thresholds provided for in 7-5-2301, MCA and 7-5-4302, MCA (currently \$80,000).

Reservation of BaRSAA Allocation

Reserve means a local government's request, by resolution, that allocated BaRSAA funds will not be distributed by MDT for up to two years. If a city, town, county, or consolidated city-county government is unable to provide the 5% match required to request a distribution of its BaRSAA funds, it may instead *request to reserve* the funds. To request a reservation of funds, the local government must submit a copy of an adopted resolution to request to reserve the funds. MDT is also using the WebGrants online system to accept requests for reservation of BaRSAA funds.

Once a local government obtains the required 5% matching funds, it may request distribution of the funds – and any eligible reserved funds from prior years – beginning the following March 1, as set forth above. The local government must request the distribution of reserved funds by November 1 of the fiscal year 2 years after the request to reserve the funds, or its BaRSAA allocation is forfeited and added to the account for allocation among all the local governments during the next allocation.

Requests for reservation of FY2018 BaRSAA funds must be made between September 1, 2018 and November 1, 2018 (every September 1-November 1 of the fiscal year after the fiscal year in which BaRSAA funds are allocated).

Annual Reports and Remaining Funds

Local governments must submit an *annual report* to MDT that provides an update on all approved projects, describes any changes to the list of projects funded with BaRSAA monies, and final project costs, if known. When a project funded by BaRSAA monies is completed, the local government will indicate on its final annual report that the project has been completed. Annual reports for the previous fiscal year will be due to the MDT by December 31 of each year, to align the BaRSAA reporting deadline with that required for local government annual financial reports to the Department of Administration in 2-7-503, MCA.

If any BaRSAA funds obligated to a project remain unspent upon project completion, the local government must notify MDT within 90 days of project completion that the local government intends to use the funds for additional projects within the 5-year time period for use of the funds, or intends to remit any unused funds to MDT. Funds remitted to MDT are added to the BaRSAA account for allocation among all the local governments during the next allocation.

MDT is required to establish a website where the projects funded with BaRSAA allocations will be identified for each local government. To facilitate this transparency of information, MDT is also using the WebGrants online system to accept annual and unspent funding reports.